

## Message Text

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ACTION AF-06

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R 210623Z FEB 76

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 7972

INFO AMEMBASSY NAIROBI

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E.O. 11652: N/A

TAGS: EFIN, PFOR, MA, US

SUBJ: U.S. BANKS EXPAND RELATIONS WITH MADAGASCAR

REF: (A) TANANARIVE'S A-009 OF 2/1/76

(B) TANANARIVE 0272 (NOTAL)

1. IN RECENT WEEKS EMBASSY HAS REPORTED DEVELOPMENT OF NEW FINANCIAL RELATIONS BETWEEN MALAGASY GOVERNMENT AND SEVERAL NEW YORK BANKS (REF A). NEW RELATIONS STEM FROM THE NATIONALIZATION OF THE FRENCH-OWNED BANKS IN MADAGASCAR IN JUNE 1975, AND THE GDRM'S SUBSEQUENT FAILURE TO OFFER WHAT FRENCH BANKS CONSIDER MEANINGFUL COMPENSATION. SINCE SEPTEMBER 1975 FRENCH BANKS ACCOMPANIED, REPORTEDLY, BY OTHER MAJOR EUROPEAN BANKS HAVE SUSPENDED THEIR LINES OF CREDIT, REFUSING TO CONFIRM LETTERS OF CREDIT ISSUED BY THE NATIONALIZED MALAGASY BANKS.

2. FACED WITH MAJOR DISLOCATIONS TO MALAGASY IMPORTS, WHICH HAD LARGEY BEEN TRANSACTED BY LETTERS OF CREDIT, MALAGASY CENTRAL BANK SOUGHT ASSISTANCE FROM SEVERAL NEW YORK BANKS. U.S. BANKS AGREED TO EXPAND LINES OF CREDIT TO PICK UP SOME (BUT NOT ALL) OF THE SLACK LEFT BY EUROPEAN BANKS, HOLDING MALAGASY FOREIGN EXCHANGE RESERVES ON DEPOSIT AS SECURITY.

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3. IN ADDITION TO NEW LETTER OF CREDIT BUSINESS, RELATIONS BETWEEN MADAGASCAR AND U.S. BANKS APPARENTLY CONTINUE TO EXPAND. EMBASSY HAS RECEIVED VISITS FROM REPRESENTATIVES OF THREE U.S. BANKS IN RECENT WEEKS, AND A FOURTH HAS BEEN IN TANANARIVE BUT NOT CALLED ON EMBASSY. CENTRAL BANK SOURCES AND VISITING BANKERS REPORT U.S. BANKS ARE PLANNING TO FINANCE A LARGE SHIPMENT OF MOTOR VEHICLES FROM ROMANIA, TRACTORS FROM WEST GERMANY, AND POSSIBLY SIKORSKY HELICOPTERS (REF B). CENTRAL BANK GOVERNOR TOLD EMBASSY THAT U.S. BANKS ARE NOW FINANCING "PRACTICALLY ALL OUR TRADE WITH EASTERN EUROPE". VISITING BANKERS REPORT MADAGASCAR ENJOYS GOOD CREDIT RATING SINCE IT HAS MET ALL OBLIGATIONS TO U.S. BANKS ON TIME (UNLIKE SOME AFRICAN COUNTRIES) AND HAS RELATIVELY LOW DEBT SERVICE RATIO.

4. IN RECENT CALLS ON GOVERNOR OF CENTRAL BANK RAJAobelina AND MINISTER OF FINANCE RAZAKABOANA, BOTH OFFICIALS EXPRESSED OBVIOUS SATISFACTION WITH DEVELOPMENT OF FLOURISHING MALAGASY RELATIONS WITH U.S. BANKS.

5. COMMENT: NEW RELATIONS WITH U.S. BANKS SEEM TO HAVE BECOME IMPORTANT FACTOR IN MALAGASY FINANCIAL AFFAIRS, AND MAY EVENTUALLY HAVE DIRECT BEARING ON OVERALL MALAGASY-U.S. RELATIONS. PRESIDENT RATSIRAKA CANNOT BE UNAWARE OF THE TIMELY ASSISTANCE THE U.S. BANKS HAVE RENDERED HIS GOVERNMENT AT A DIFFICULT TIME.  
SHEINBAUM

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